

## **DEPARTMENT OF STATE REVENUE**

### **AUDIT-GRAM NUMBER IR-019**

May 7, 2001

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### **ISSUE**

#### **Prepaid Telephone Calling Card.**

**Authority:** IC 6-2.5-4-13

#### **IC 6-2.5-4-13. Sale of prepaid telephone calling card.**

A person is a retail merchant making a retail transaction when a person sells:

- (1) a prepaid telephone calling card at retail;
- (2) a prepaid telephone authorization number at retail;
- (3) the reauthorization of a prepaid telephone calling card; or
- (4) the reauthorization of a prepaid telephone authorization number.

[1998]

#### **I. GENERAL STATEMENT**

A prepaid telephone calling card is a debit card entitling the purchaser to make long distance telephone calls at a flat rate until the card expires or its value is fully depleted.

The prepaid telephone calling card purchaser may initialize a long distance call by dialing a designated telephone number to access the account using a "Personal Identification Number" (PIN) or, in the case of a magnetic strip card, using appropriate equipment provided at the dialing point.

A prepaid telephone authorization number is not evidenced by a physical calling card but rather an access code provided to the service vendor at the time of use.

#### **II. TAXABILITY**

Effective July 1, 1998 (P.L. 8-1998 § 2) – The entire charge for the purchase of a prepaid telephone authorization number or a calling card is subject to Sales Tax regardless the fact that the subsequent telecommunication service may be provided as either interstate or intrastate communication.

#### **III. OTHER TRANSACTIONS**

A. Vending Machine Sales – Sales of prepaid telephone calling cards through vending machines are subject to Sales Tax.

B. Purchases For Use Or Advertising – Purchases of prepaid telephone calling cards to be used by employees or provided free of charge to customers as promotional items are subject to Sales Tax or Use Tax.

C. Sales To Collectors – Sales by vendors of used or expired prepaid telephone calling cards to hobbyists or collectors are subject to Sales Tax unless the purchase is for resale.